

STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
DIVISION OF REVENUE  
601 DELAWARE AVENUE  
WILMINGTON, DELAWARE 19899

TAX NEWSGRAM 72-36

March 14, 1972

PERSONAL INCOME TAX

- Basis for Sale of Securities

The question has been raised as to the proper basis for computing gain on the sale of securities by a taxpayer who moved into Delaware within the last 5 years. The law prior to 1971 provided that the basis for determining gain on the sale of securities acquired by a taxpayer prior to becoming a resident of Delaware was (1) cost, or (2) Fair Market Value of such securities on the date he became a resident, whichever was higher if the securities were sold within 5 years of becoming a resident. If the security was not sold within 5 years, the basis was cost at the time of sale.

There is no specific provision in the law for 1971 and subsequent years to provide for an adjustment of basis when a taxpayer moves into Delaware. The Delaware resident is required to include in income the gain as reported in the Federal return with certain modifications. There is no requirement for adjustment of basis of securities sold within the five-year period of becoming a resident. It is, therefore, held that adjustment to fair market value of such securities on the date taxpayer became a resident is not permitted for sales in 1971 and subsequent years.



J. H. Kennedy  
Director of Revenue

jvm

DISTRIBUTION : B and C